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SUB CHAPTER V TRUSTEE
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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – SAN FERNANDO VALLEY DIVISION

In re:

DRITA PASHA KESSLER,
dba Art Addict LLC and
dba DK Art Publishing, Inc.,

Debtor.

Case No. 1:22-11504-VK

Chapter 11
(Sub Chapter V)

**SUBCHAPTER V TRUSTEE'S DECLARATION
REGARDING STATUS OF CASE**

Hearing

Date: October 19, 2023
Time: 2:00 p.m.
Courtroom: 301
Location: 21041 Burbank Blvd
Woodland Hills, CA 91367

**TO THE HONORABLE VICTORIA S. KAUFMAN, UNITED STATES
BANKRUPTCY JUDGE, AND ALL PARTIES IN INTEREST:**

Robert P. Goe, the Subchapter V Trustee (the "Trustee") hereby submits his Declaration
of Status of Case as follows:

GENERAL CASE STATUS

As time progresses in this nearly 10-month-old case it appears less likely Debtor can
reorganize, which is of no fault of Debtor's counsel, Leonard Pena, who has done his very best
under the circumstances. It would have been helpful had special counsel filed earlier the Motion
to Vacate the Travelers judgment (discussed below) but in any event that motion and sanctions
motion are fully briefed and scheduled for October 20, 2023 before District Judge Andre Birotte,

Jr. It might make sense to continue this Status Conference to November 2, 2023 to be heard with other matters scheduled.

Drita Pasha Kessler (“Debtor”) is an art dealer who primarily sells the works of world renown artist Tamara de Lempic, which art Debtor values on her Schedule B at \$1,320,601.52. The bankruptcy case was prompted by collection actions of Travelers Property Casualty Company of America (“Travelers”), as discussed below, which holds a \$3,877,966.39 default judgment. The Trustee has been in regular communication with the UST, and counsel for Debtor and Travelers, in an effort to reach a consensual plan/global resolution but until the October 20, 2023 ruling the Parties are too far apart.

The Court requested Trustee file a declaration that discusses, among other things, progress made toward a consensual plan or the Debtor’s plan confirmation prospects. Accordingly, the Trustee will appear at the Status Conference and is filing his declaration addressing the Court’s requests.

Debtor’s counsel has moved to withdraw, and Michael Berger has filed an application to be employed with a \$50,000 retainer. In consultation with the UST, the Trustee does not oppose Mr. Berger coming in as counsel but does not believe a post-petition retainer is appropriate as administrative claims are already well into the six figures and Debtor has dwindling cash on hand of \$182,871.03 at the end of August 2023, as noted in MOR #8 [Docket No. 163].

**(a) Travelers Updated Allegations of Fraud by Debtor Supported by the
Declaration of Father Daniel Keohane.**

From the commencement of the case, Travelers has leveled a number of attacks on Debtor and her family members concerning, among other things, various fraudulent conveyances and overseas bank account. These allegations reached a higher level through the corroboration by Debtor’s former, long-time priest, Father Daniel Keohane, who submitted a declaration with 4 exhibits backing Travelers response in support of its objections to Debtor’s homestead exemption [Docket No. 99]. In particular, Father Keohane claimed that “I never sold my home to Ms. Kessler.” (Keohane Dec., p. 2, ll. 20-21) located at 8117 Aldea Avenue, Lake Balboa. He also claimed Debtor set up a bank account in his name which at times held as much as

\$741,710.11 (Exhibit 4, p. 61), which Debtor “had exclusive control” and that Debtor had impersonated him (Keohane Dec., ¶ 19). In sum, Father Keohane stated that Debtor mislead and manipulated him. As a result of these and other facts, Debtor’s homestead exemption was denied which Order Debtor has appealed.

As a result of Father Keohane’s declaration, among other things, on May 27, 2023, Travelers filed its request to Expand Duties of Trustee Pursuant to 11 U.S.C. Section 1183(b)(2), which was denied. Travelers recently filed an additional declaration as to why the case should be converted or dismissed [Docket No. 159].

In consultation with the UST, Trustee believed it was important to bring these issues before the Court at the Status Conference. Trustee would not support dismissal of the case as not being in the best interests of creditors.

(b) A Background of Traveler’s Litigation.

As previously noted, Debtor was involved in the U.S. District Court litigation, case 2:18-cv-00722 AB JPR, captioned as follows:

(1) Franklin R. Fraley Jr., an individual and d/b/a Fraley & Associates, Plaintiff, vs. Travelers Property Casualty Company of America, a Connecticut corporation; Fidelity and Guaranty Insurance Underwriters, Inc., a Wisconsin corporation; and Does 1-10, Defendants.

(2) Travelers Property Casualty Company of America, a Connecticut corporation; Fidelity and Guaranty Insurance Underwriters, Inc., a Wisconsin corporation, Third-Party Plaintiffs, vs. Drita Kessler, an individual; DK Art Publishing, Inc., a California corporation, Third-Party Defendants.

The above litigation resulted in the default judgment on January 11, 2022. Debtor filed a Relief from Stay Motion [Docket No. 21] to allow Debtor to file a motion to set aside the default judgment through proposed special counsel, which was granted [Docket No. 51].

As a result of the default judgment, Travelers had filed the U.S. District Court litigation, case 2:22-cv-08329, captioned as follows:

1 Travelers Property Casualty Company of America, a Connecticut corporation,
2 Plaintiff, vs. Drita Kessler, an individual; Colette Kessler, an individual; Semone
3 Kessler, an individual; Kennedy Kessler, an individual; Vitora Vukelj, an
4 individual; James Musser, an individual; Belwood Group, LLC, a Wyoming
5 limited liability company; and Does 1 through 5, inclusive, Defendants
6 (“Collection Action”) that sought, among other things, to set aside various pre-
7 petition transfers.

8 Debtor retained Special Counsel, David Morales, for the Travelers Litigation, who has
9 filed both a sanctions motion and to vacate the default judgment currently scheduled to be heard
10 on October 20, 2023.

11 **(c) A Summary of the discussions with the Debtor and other material parties**
12 **regarding progress made toward a consensual plan or the Debtor’s plan**
13 **prospects.**

14 In sum, resolution with Travelers is the largest issue to resolve in the case. Although a
15 plan could be confirmed non-consensually, it could be difficult as Debtor would need to
16 concurrently resolve avoidable transfer claims (many against insiders) alleged by Travelers in
17 the Collection Action that now vest in the estate.

18 On March 29, 2023, Debtor filed her Subchapter V Plan (“Plan”) [Docket No. 57]. The
19 Plan, on page 19, vests all avoidance actions in Debtor but does not indicate if or how such
20 actions will be pursued. Debtor’s liquidation analysis indicates a total value of \$250,000 for all
21 avoidance actions (including against insiders). Until the issues raised by Travelers are
22 addressed, it is doubtful a consensual plan can be confirmed. There are also smaller issues that
23 will need to be amended if the Plan is non-consensual, such that Debtor will not act as
24 disbursing agent but those can be addressed later once the larger issues are resolved/litigated.

25 I declare under penalty of perjury under the laws of the United States of America that the
26 foregoing is true and correct.

27 Dated: October 12, 2023

28 /s/Robert P. Goe
Robert P. Goe, Subchapter V Trustee

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 17701 Cowan, Suite 210, Bldg. D, Irvine, CA 92614

A true and correct copy of the foregoing document entitled (*specify*): **SUBCHAPTER V TRUSTEE'S DECLARATION REGARDING STATUS OF CASE** will be served or was served (**a**) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (**b**) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On October 12, 2023, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Michael Jay Berger michael.berger@bankruptcypower.com, yathida.nipha@bankruptcypower.com;michael.berger@ecf.inforuptcy.com
- Shraddha Bharatia notices@becket-lee.com
- Andre Boniadi aboniadi@bzlegal.com
- Katherine Bunker kate.bunker@usdoj.gov
- Robert Paul Goe (TR) bktrustee@goeforlaw.com, kwareh@goeforlaw.com;bkadmin@goeforlaw.com;C187@ecfcbis.com;kmurphy@goeforlaw.com;rgoe@goeforlaw.com
- David C Nealy david.nealy@limnexus.com, clement.leung@limnexus.com,mimi.cho@limnexus.com,candice.raub@limnexus.com
- Leonard Pena lpena@penalaw.com, penasomaecf@gmail.com;penalr72746@notify.bestcase.com
- Brett Ramsaur brett@ramsaurlaw.com, alecia@ramsaurlaw.com;paralegal@ramsaurlaw.com
- James E Till james.till@till-lawgroup.com, martha.araki@till-lawgroup.com;myrtle.john@till-lawgroup.com;sachie.fritz@till-lawgroup.com
- United States Trustee (SV) ustpreion16.wh.ecf@usdoj.gov

2. SERVED BY UNITED STATES MAIL:

On (*date*) October 12, 2023, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) October 12, 2023, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

- Victoria S. Kaufman, USBC, 21041 Burbank Blvd., Woodland Hills, CA 91367
(service waived pursuant to Central Guide, Section 2-02)

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

October 12, 2023
Date

Susan C. Stein
Printed Name

/s/Susan C. Stein
Signature